
FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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Docket No. ER00-2234-000
and ER00-2424-000

COMMISSION APPROVES NEPOOL, ECAR ACTIONS DESIGNED TO IMPROVE SUMMER SYSTEM RELIABILITY

The Federal Energy Regulatory Commission today approved a tariff filed by the East Central Area Reliability Council (ECAR), a regional council of the North American Reliability Council (NERC), designed to improve reliability (ER00-2234-000). The tariff is intended to eliminate the economic incentive that may exist under current reliability rules for one utility system to "lean" on its neighboring systems when market prices for energy are high.

In a separate order, the Commission also accepted the New England Power Pool's (NEPOOL) proposal to pay consumers to reduce their electric power loads during peak use periods. This will provide another way for ISO New England, the grid operator in New England, to ensure reliable service if there are shortages in generation supply during peak periods this summer.

Commented Chairman James J. Hoecker: "Although competitive bulk power markets are maturing, progress can be difficult. In the meantime, it is critical to maintain reliability. The actions taken today should help ensure reliability in the Midwest and New England regions. These regional innovations are timely and should be very welcome to anyone who favors better markets."

Because electric systems are interconnected, the operation of any utility's system

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can impact the electricity flows on its neighboring systems. This often causes what are called inadvertent energy flows, i.e., when energy intended for delivery on one system is instead delivered to a neighbor's system. Each utility is expected to operate its system in a manner that minimizes inadvertent energy and current protocols require that utilities receiving inadvertent energy simply return a like amount of energy at a later date.

Under ECAR's Inadvertent Settlement Tariff, when there are inadvertent energy flows during low voltage conditions, the utility receiving inadvertent energy will compensate its neighbors at prices based on current market rates for energy. This will eliminate the incentive that may exist under current protocols to ignore the obligation to minimize inadvertent energy flows and to instead view inadvertent energy simply as a source of low cost energy during periods when market prices are high.

ECAR is one of ten NERC regional reliability councils. Its generation and transmission members have an impact on the interconnected electric systems on the nine east-central state region it covers.

In the NEPOOL order, the Commission accepted an interim price incentive proposal by NEPOOL—its Load Response Program—designed to compensate customers for voluntary curtailment during peak demand periods. The program will run from June 1 through September 30, 2000.